

Summary of Consolidated Financial Results for the Fiscal Year Ended March 31, 2022 (Japanese Accounting Standards)

May 13, 2022

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 Code Number: 7550 URL <http://www.zensho.co.jp/>
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 Scheduled date for annual general shareholders' meeting: June 24, 2022
 Scheduled date for submission of annual securities report: June 27, 2022
 Scheduled date for payment of dividends: June 27, 2022
 Supplementary documents for financial results : Yes
 Financial results briefing : Yes

(Figures rounded down to the nearest million yen)

1. Consolidated Financial Results for the Fiscal Year ended March 31, 2022 (April 1, 2021 to March 31, 2022)

(1) Consolidated Financial Results (Percentages (%) indicate changes from the previous year)

	Net Sales		Operating Profit		Ordinary Profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Fiscal Year ended March 31, 2022	658,503	10.7	9,232	(23.6)	23,117	89.2	13,869	513.8
March 31, 2021	595,048	(5.6)	12,088	(42.2)	12,215	(38.6)	2,259	(81.1)

Note: Comprehensive income Fiscal Year ended March 31, 2022 22,080 million yen (314.7 %)
 Fiscal Year ended March 31, 2021 5,324 million yen (-38.1 %)

	Basic earnings per share		Diluted earnings per share		Return on equity (ROE)	Return on assets (ROA)	Operating Margin
	Yen	%	Yen	%	%	%	%
Fiscal Year ended March 31, 2022	91.17	—	—	—	14.7	5.6	1.4
March 31, 2021	14.82	—	—	—	2.6	3.2	2.0

Note: Gain/loss on equity method investments: March 31, 2022 5 million yen March 31, 2021 7 million yen

(2) Consolidated Financial Position

	Total Assets	Net Assets	Shareholders' Equity Ratio	Net Assets per share
	Million yen	Million yen	%	Yen
March 31, 2022	427,172	104,486	24.2	679.19
March 31, 2021	396,023	85,430	21.5	560.87

Note: Shareholders' Equity: March 31, 2022 103,320 million yen March 31, 2021 85,322 million yen

(3) Consolidated Cash Flows

	Cash flow from operating activities	Cash flow from investing activities	Cash flow from financing activities	Ending balance of cash and cash equivalents
	Million yen	Million yen	Million yen	Million yen
Fiscal Year ended March 31, 2022	45,430	(31,550)	(11,986)	42,414
March 31, 2021	29,686	(23,519)	1,753	37,643

2. Dividends

	Dividend per Share					Total dividend amount (full-year)	Consolidated Payout ratio	Dividends on consolidated net assets
	End of Q1	End of Q2	End of Q3	Year-end	Full year			
Fiscal Year ended	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
March 31, 2021	-	10.00	-	10.00	20.00	3,044	135.0	3.6
March 31, 2022	-	11.00	-	11.00	22.00	3,346	24.1	3.5
March 31, 2023 (forecast)	-	12.00	-	12.00	24.00		26.0	

3. Consolidated Forecasts for the Fiscal Year Ending March 31, 2023 (April 1, 2022 to March 31, 2023)

(Percentages (%) indicate changes from the previous year)

	Net Sales		Operating Profit		Ordinary Profit		Profit attributable to owners of parent		Profit attributable to owners of parent per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Q2 (Cumulative)	370,321	16.8	11,380	31.8	11,592	(11.3)	6,942	7.9	45.63
Full year	745,549	13.2	25,000	170.8	24,673	6.7	14,027	1.1	92.21

Notes

- (1) Changes of important subsidiaries during the period
(changes in specified subsidiaries resulting in change in scope of consolidation) : None
- (2) Changes in accounting policies, changes in accounting estimates, and restatement
- (i) Changes in accounting policies caused by revision of accounting standards : Yes
- (ii) Changes in accounting policies other than (i) : None
- (iii) Changes in accounting estimates : None
- (iv) Restatement : None

(4) Shares issued and outstanding (common stock)

(i) Number of shares outstanding at the end of the period (including treasury stock)	As of March 31, 2022	154,862,825 shares	As of March 31, 2021	154,862,825 shares
(ii) Number of treasury stocks at the end of the period	As of March 31, 2022	2,740,712 shares	As of March 31, 2021	2,736,827 shares
(iii) Average number of shares outstanding during the term	FY ended March 31, 2022	152,124,031 shares	FY ended March 31, 2021	152,514,861 shares

Note: Please refer to “Per Share Information” on p.16 concerning the number of shares on which calculations of net profit per share (consolidated) are based.

(Reference)

1. Non-consolidated Financial Results for the Fiscal Year ended March 31, 2022 (April 1, 2021 to March 31, 2022)

(1) Financial Results (Percentages (%) indicate changes from the previous year)

	Net Sales		Operating Profit		Ordinary Profit		Net Profit	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Fiscal Year ended March 31, 2022	216,433	(9.2)	(3,672)	—	5,571	18.5	5,415	106.5
March 31, 2021	238,248	(6.5)	4,776	86.4	4,699	(54.3)	2,622	(63.4)

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Fiscal Year ended March 31, 2022	35.60	—
March 31, 2021	17.20	—

(2) Financial Position

	Total Assets	Net Assets	Shareholders' Equity Ratio	Net Assets per share
	Million yen	Million yen	%	Yen
March 31, 2022	373,293	78,095	20.9	513.38
March 31, 2021	360,602	75,884	21.0	498.83

Note: Shareholders' Equity: March 31, 2022 78,095 million yen March 31, 2021 75,884 million yen

- * This consolidated financial results report is exempt from audit procedures of certified accountants and/or auditing firms.
- * Explanation and other special notes concerning the appropriate use of forecasted business performance

The forecast figures indicated above are projections based on the information available at the time of the announcement and certain assumptions include some degree of uncertainty. Actual business performance and other results may differ from the forecast depending on the changes in business conditions and others. Please refer to p.5 of the Appendix for information on the above forecast.

Appendix: Table of contents

1. Overview of Management Results and Related Matters.....	2
(1) Overview of Management Results for the Fiscal Year ended March 31, 2022.....	2
(2) Overview of Financial Position for the Fiscal Year ended March 31, 2022.....	4
(3) Overview of Cash Flows for the Fiscal Year ended March 31, 2022.....	4
(4) Future Outlook.....	5
2. Basic Policy on Selection of Accounting Standards.....	5
3. Consolidated Financial Statements and Major Notes.....	6
(1) Consolidated Balance sheets	6
(2) Consolidated Statements of Income and Comprehensive Income	8
(3) Consolidated Statements of Changes in Shareholders' Equity.....	10
(4) Consolidated Statements of Cash Flows.....	12
(5) Notes on Consolidated Financial Statements	14
(Notes on Going Concern Assumptions)	14
(Changes in Accounting Policies)	14
(Segment Information)	15
(Per Share Information)	16
(Material Subsequent Events)	16

1. Overview of Management Results and Related Matters

(1) Overview of Consolidated Management Results for the Fiscal Year ended March 31, 2022

In the fiscal year ended March 31, 2022 (from April 1, 2021 to March 31, 2022), despite of the continuous effects of COVID-19 and global supply constraints, some signs of recovery were seen towards the end of 2021. However, the Japanese economy is becoming more uncertain due to the rapid spread of Omicron variant and deteriorating situation in Ukraine.

Under these circumstances, the same-store sales in the Gyudon category including Sukiya, the Family Dining category including Coco's and Jolly-Pasta, and the Fast Food Service category including Hamazushi were 106.4%, 102.8%, and 106.0% year-on-year, respectively.

At the end of March 2022, the number of stores was 10,078 (including 4,515 franchised stores).

Consequently, the business performance in the fiscal year showed sales of 658,503 million yen (up 10.7% year-on-year), operating profit of 9,232 million yen (down 23.6% year-on-year), ordinary profit of 23,117 million yen (up 89.2% year-on-year), and profit attributable to owners of parent of 13,869 million yen (up 513.8% year-on-year).

The "Accounting Standards for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020), etc. has been applied since the beginning of the fiscal year. For more information, please refer to "3. Consolidated Financial Statements and Major Notes, (5) Notes on Consolidated Financial Statements, Changes in Accounting Policies".

An overview of conditions by business segment is provided below.

1) Restaurant business

Sales of the Restaurant business in the fiscal year were 578,928 million yen (up 14.0% year-on-year), and the operating profit was 9,326 million yen (down 11.8% year-on-year) due to the protracted effect of the spread of COVID-19.

With the end of the fifth COVID-19 wave, sales recovery was seen in each business category toward the end of 2021. However, business environment has turned harsh again due to the factors such as another issuance of the priority preventative measures in January 2022 and global price hike in energy and raw materials.

The performance of the restaurant business for each major category is as follows.

(Gyudon category)

Sales in the Gyudon category in the fiscal year totaled 232,516 million yen (up 7.5% year-on-year).

Sukiya, a Gyudon chain operated by Sukiya Co., Ltd., launched new products such as "Gyudon w/ Green Onion, Salty Garlic Sauce & Lemon" (regular size: 500 yen) and "Beef Stock & Pork Curry Rice w/ Chicken Leg" (regular size: 680 yen), and revised the price of Gyudon, its main products (regular size: 400 yen, etc.), on December 23, 2021 in consideration of the global inflation trend.

Nakau, rice bowl dishes and Kyoto-style udon noodle chain, operated by Nakau Co., Ltd., sought to improve its business performance by undertaking effective sales promotions while enhancing product competitiveness through introduction of new and seasonal products, improvement of existing products, and expansion of take-out product line up.

The number of restaurants in the Gyudon category at the end of March 2022 was 3,078 (including 8 franchised restaurants), as a result of 85 restaurant openings and 71 closures.

(Family Dining category)

Sales in the Family Dining category in the fiscal year were 89,705 million yen (down 4.8% year-on-year).

Coco's, the standard restaurant chain operated by Coco's Japan Co., Ltd., has made efforts to improve its business performance by enriching the menu, introducing dainty campaign dishes, improving the standard of service across the chain, and further expansion of take-out product line up.

Big Boy, the chain of hamburger steak and steak restaurants and other chain operated by Big Boy Japan, Inc., sought to improve its business performance by various ways, such as brushing up the main products, enriching salad bar and soup bar, which are highly supported by customers, and enhancing the take-out products.

Jolly-Pasta, the pasta specialty restaurant chain, operated by Jolly-Pasta Co., Ltd., seeks to provide further deliciousness and fun to customers by expanding the line-up of the menu, introducing new dishes using safe seasonal ingredients as a “pasta specialty restaurant that pursues deliciousness and fun.”

Barbeque restaurants including Takarajima, Jukusei Yakiniku Ichiban, and Gyu-An, operated by TAG-1 Co., Ltd., have been working to brush up the business concept of the brands, while making efforts to provide high quality products with carefully selected beef and seasonal ingredients, and to improve the quality of service levels at restaurants.

Hanaya Yohei, the Japanese cuisine restaurant chain operated by Hanaya Yohei Co., Ltd., has been working to improve customer satisfaction by various ways, including development of attractive Japanese style products using seasonal ingredients, improvement of service levels at restaurants, and improvement of labor productivity.

The number of restaurants in the Family Dining category at the end of March 2022 was 1,224 (including 79 franchised restaurants), as a result of 36 restaurant openings and 76 closures.

(Fast Food Service category)

Sales in the Fast Food Service category in the fiscal year were 150,673 million yen (up 8.7% year-on-year).

Hamazushi, 100-yen sushi chain stores operated by Hamazushi Co., Ltd., sought to expand its businesses by increasing the number of restaurants, while working on various issues such as introducing special menu using seasonal ingredients, improving quality of products, enhancing service level, conducting promotions at stores, and expanding take out products line up.

The Chicken Rice Shop, chicken rice specialty chain stores operated by TCRS Restaurants Sdn. Bhd., obtained a halal certificate and developed shops throughout Malaysia, which are supported by families regardless of age and gender.

The number of restaurants in the Fast Food Service category at the end of March 2022 was 969 (including 1 franchised restaurant), as a result of 37 restaurant openings and 25 closures.

(Other category)

Sales in the Other category in the fiscal year were 106,032 million yen (up 80.9% year-on-year).

Main businesses in this category include Advanced Fresh Concepts Corp., which operates take-out sushi stores in the U.S., Canada, and Australia; Tolona Japan Co., Ltd., which sells frozen foods for home use, etc.; Global Fresh Supply Co., Ltd., a company which handles logistics functions for the Zensho Group; and Global Table Supply Co., Ltd., which procures uniforms, equipment etc.

The number of stores in the Other category at the end of March 2022 was 4,677 (including 4,427 franchised stores), as a result of 274 store openings and 130 closures.

2) Retail Business

Sales in the Retail business in the fiscal year were 79,575 million yen (down 9.0% year-on-year), and the operating loss was 93 million yen (profit of 1,516 million yen in the previous year).

The retail business includes the supermarket business operated by JOY MART CO., LTD. and fruit and vegetables stores operated by United Veggies Co., Ltd.

The number of stores in the Retail business category at the end of March 2022 stood at 130 as a result of 2 store openings and 1 closure.

(2) Overview of Financial Position for the Fiscal Year ended March 31, 2022

(Total Assets)

Total assets amounted to 427,172 million yen as of March 31, 2022, an increase of 31,149 million yen compared with the previous fiscal year-end. This increase was mainly due to increases in cash and deposits, merchandise and finished goods, and property, plant and equipment.

(Liabilities)

Liabilities amounted to 322,686 million yen as of March 31, 2022, an increase of 12,094 million yen compared with the previous fiscal year-end. This increase was mainly due to increases in interest-bearing liabilities and income taxes payable.

(Net Assets)

Net Assets came at 104,486 million yen as of March 31, 2022, an increase of 19,055 million yen compared with the previous fiscal year-end. This increase was mainly due to increases in retained earnings and foreign currency translation adjustment.

(3) Overview of Cash Flows for the Fiscal Year ended March 31, 2022

	Amount (Million yen)
Beginning balance of cash and cash equivalents	37,643
Cash flow from operating activities	45,430
Cash flow from investing activities	(31,550)
Cash flow from financing activities	(11,986)
Ending balance of cash and cash equivalents	42,414
(reference) Free cash flow	13,880

At the end of the fiscal year ended March 31, 2022, cash and cash equivalents (hereinafter referred to as “net cash”) amounted to 42,414 million yen, up 4,770 million yen from the beginning of the fiscal year. This was mainly due to an increase in profit.

(Cash flow from operating activities)

Cash flow from operating activities resulted in an increase in net cash of 45,430 million yen. This was mainly due to an increase in profit.

(Cash flow from investing activities)

Cash flow from investing activities resulted in a decrease in net cash of 31,550 million yen. This was mainly due to acquisition of property, plant and equipment in association with store openings.

(Cash flow from financing activities)

Cash flow from financing activities resulted in a decrease in net cash of 11,986 million yen. This was mainly due to repayment of interest-bearing liabilities.

Note) Free cash flow is calculated using the following formula:

$$\text{Free cash flow} = \text{Cash flow from operating activities} + \text{Cash flow from investing activities}$$

(4) Future Outlook

(i) Future Outlook

As for the outlook for the next term, it is expected that the economic environment will continue to be uncertain due to risk factors such as re-spread of COVID-19 infection, political instability caused by protracted situation in Ukraine, and global rising prices.

Under these circumstances, Zensho Group will take necessary measures in a timely manner, based on our basic policy to provide our customers with safe and tasty food whenever possible as a “food infrastructure”.

In addition, Zensho will strive to grow further, aiming to be the world No. 1 enterprise in the food industry, taking advantage of our mass- merchandising system (MMD), which is a business model that enables integrated design and management of the process from food procurement to manufacturing, distribution, and store sales.

(ii) A medium-term business plan for three years including the fiscal year ending March 2023 is formulated as follows.

(Figures rounded down to the nearest hundred million yen)

	FY ended Mar.31, 2022	FY ending Mar. 31, 2023		FY ending Mar. 31, 2024		FY ending Mar. 31, 2025	
	Actual	Plan	YoY	Plan	YoY	Plan	YoY
Net Sales	6,585	7,455	+870	8,268	+812	9,376	+1,107
(Growth rate)			(+13.2%)		(+10.9%)		(+13.4%)
Operating profit (% of sales, growth rate)	92 (1.4%)	250 (3.4%)	+157 (+170.8%)	380 (4.6%)	+130 (+52.2%)	568 (6.1%)	+187 (+49.3%)
Ordinary profit (% of sales, growth rate)	231 (3.5%)	246 (3.3%)	+15 (+6.7%)	367 (4.4%)	+120 (+49.0%)	555 (5.9%)	+188 (+51.2%)
Profit attributable to owners of parent (% of sales, growth rate)	138 (2.1%)	140 (1.9%)	+1 (+1.1%)	227 (2.8%)	+87 (+62.2%)	355 (3.8%)	+127 (+56.1%)

2. Basic Policy on Selection of Accounting Standard

Most stakeholders of the Zensho Group are shareholders, creditors, business partners, et al. in Japan. Accordingly, the Japanese accounting standards have been adopted.

3. Consolidated Financial Statements and Major Notes

(1) Consolidated Balance sheet

	(Million yen)	
	End of Previous fiscal year (As of March 31, 2021)	End of Current fiscal year (As of March 31, 2022)
Assets		
Current Assets		
Cash and deposits	37,643	42,414
Notes and accounts receivable - trade	22,400	24,460
Merchandise and finished goods	16,841	27,528
Work in process	813	998
Raw materials and supplies	7,810	10,340
Other	23,629	26,865
Allowance for doubtful accounts	(112)	(168)
Total current assets	109,026	132,439
Non-current assets		
Property, plant and equipment, net		
Buildings and structures	204,127	211,709
Accumulated depreciation	(120,920)	(126,051)
Buildings and structures, net	83,207	85,658
Machinery, equipment and vehicles	15,512	16,078
Accumulated depreciation	(9,161)	(9,686)
Machinery, equipment and vehicles, net	6,351	6,392
Tools, furniture and fixtures	72,966	78,432
Accumulated depreciation	(51,470)	(55,331)
Tools, furniture and fixtures, net	21,496	23,100
Land	21,199	22,852
Leased assets	45,670	52,321
Accumulated depreciation	(15,641)	(22,235)
Leased assets, net	30,028	30,086
Construction in progress	715	573
Total property, plant and equipment	162,997	168,663
Intangible assets		
Trade mark right	38,812	45,569
Goodwill	15,186	13,106
Other	4,244	4,209
Total intangible assets	58,242	62,885
Investments and other assets		
Investment securities	2,668	1,883
Guarantee deposits	33,259	32,880
Long-term loans receivable	80	76
Long-term prepaid rent	17,107	15,625
Deferred tax assets	8,054	7,932
Other	4,546	4,738
Allowance for doubtful accounts	(14)	(14)
Total investments and other assets	65,701	63,121
Total non-current assets	286,941	294,671
Deferred assets		
Share issuance cost	19	8
Bond issuance cost	36	53
Total deferred assets	55	62
Total assets	396,023	427,172

(Million yen)

	End of Previous fiscal year (As of March 31, 2021)	End of Current fiscal year (As of March 31, 2022)
Liabilities		
Current Liabilities		
Notes and accounts payable - trade	24,678	26,986
Short-term borrowings	1,149	459
Current portion of bonds payable	20,600	5,000
Current portion of long-term borrowings	35,735	24,380
Lease liabilities	8,439	9,264
Income taxes payable	1,111	8,785
Contract liabilities	-	643
Provision for bonuses	2,224	2,951
Other	35,607	31,277
Total current liabilities	129,545	109,749
Non-current liabilities		
Bonds payable	5,000	15,000
Long-term borrowings	132,641	151,659
Lease liabilities	24,804	24,294
Retirement benefit liability	707	707
Asset retirement obligations	3,456	4,286
Deferred tax liabilities	10,919	12,505
Other	3,517	4,483
Total non-current liabilities	181,046	212,937
Total liabilities	310,592	322,686
Net assets		
Shareholders' equity		
Share capital	26,996	26,996
Capital surplus	24,818	24,823
Retained earnings	41,230	51,080
Treasury shares	(5,827)	(5,839)
Total shareholders' equity	87,216	97,060
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(69)	(72)
Deferred gains or losses on hedges	431	684
Remeasurements of defined benefit plans	(11)	18
Foreign currency translation adjustment	(2,244)	5,629
Total accumulated other comprehensive income	(1,893)	6,259
Non-controlling interests	107	1,165
Total net assets	85,430	104,486
Total liabilities and net assets	396,023	427,172

(2) Consolidated Statements of Income and Comprehensive Income
(Consolidated Statements of Income)

	(Million yen)	
	Previous fiscal year (From April 1, 2020 to March 31, 2021)	Current fiscal year (From April 1, 2021 to March 31, 2022)
Net Sales	595,048	658,503
Cost of Sales	254,469	310,879
Gross Profit	340,578	347,624
Selling, General and Administrative Expenses	328,490	338,391
Operating Profit	12,088	9,232
Non-operating income		
Interest income	380	519
Dividend income	5	5
Share of profit of entities accounted for using equity method	7	5
Foreign exchange gains	208	908
Subsidy income	1,923	15,053
Other	871	1,224
Total non-operating income	3,396	17,717
Non-operating expenses		
Interest expenses	2,225	2,677
Other	1,043	1,154
Total non-operating expenses	3,269	3,832
Ordinary profit	12,215	23,117
Extraordinary income		
Insurance claim income	421	14
Compensation income	27	424
Subsidy for cooperation income	7,604	24,593
Other	44	345
Total extraordinary income	8,098	25,377
Extraordinary losses		
Loss on retirement of non-current assets	3,182	3,139
Impairment losses	2,260	5,545
Loss on COVID-19 infection control measures	7,864	11,141
Other	1,569	2,387
Total extraordinary losses	14,876	22,215
Net Profit before income taxes	5,437	26,280
Income taxes - current	2,833	12,371
Income taxes - deferred	427	15
Total income taxes	3,261	12,387
Profit	2,175	13,893
Profit (loss) attributable to non-controlling interests	(83)	23
Profit attributable to owners of parent	2,259	13,869

(Consolidated Statements of Comprehensive Income)

(Million yen)

	Previous fiscal year (From April 1, 2020 to March 31, 2021)	Current fiscal year (From April 1, 2021 to March 31, 2022)
Net Profit	2,175	13,893
Other comprehensive income		
Valuation difference on available-for-sale securities	10	(3)
Deferred gains or losses on hedges	497	253
Remeasurements of defined benefit plans	23	29
Foreign currency translation adjustment	2,614	7,879
Share of other comprehensive income of entities accounted for using equity method	2	28
Total other comprehensive income	3,148	8,187
Comprehensive income	5,324	22,080
(Breakdown)		
Comprehensive income attributable to owners of parent	5,395	22,022
Comprehensive income attributable to non- controlling interests	(71)	58

(3) Consolidated Statements of Changes in Shareholders' Equity
 Fiscal year ended March 31, 2021 (From April 1, 2020 to March 31, 2021)

(Million yen)

	Shareholders' Equity				
	Share capital	Capital surplus	Retained earnings	Treasury share	Total Shareholders' Equity
Beginning balance	26,996	24,817	42,090	(2,260)	91,643
Changes during period					
Dividends of surplus			(3,061)		(3,061)
Profit attributable to owners of parent			2,259		2,259
Purchase of treasury shares				(3,571)	(3,571)
Disposal of treasury shares		0		3	4
Change in scope of consolidation			(58)		(58)
Net changes in items other than shareholders' equity					
Total changes during period	—	0	(859)	(3,567)	(4,426)
Ending balance	26,996	24,818	41,230	(5,827)	87,216

	Accumulated other comprehensive income					Non-controlling interests	Total Net Assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Remeasurement of defined benefit plans	Foreign currency translation adjustment	Total accumulated other comprehensive income		
Beginning balance	(79)	(66)	(35)	(4,849)	(5,030)	179	86,793
Changes during period							
Dividends of surplus							(3,061)
Profit attributable to owners of parent							2,259
Purchase of treasury shares							(3,571)
Disposal of treasury shares							4
Change in scope of consolidation							(58)
Net changes in items other than shareholders' equity	10	497	23	2,605	3,136	(72)	3,064
Total changes during period	10	497	23	2,605	3,136	(72)	(1,362)
Ending balance	(69)	431	(11)	(2,244)	(1,893)	107	85,430

Fiscal year ended March 31, 2022 (From April 1, 2021 to March 31, 2022)

(Million yen)

	Shareholders' Equity				
	Share capital	Capital surplus	Retained earnings	Treasury share	Total Shareholders' Equity
Beginning balance	26,996	24,818	41,230	(5,827)	87,216
Changes during period					
Dividends of surplus			(3,194)		(3,194)
Profit attributable to owners of parent			13,869		13,869
Purchase of treasury shares				(13)	(13)
Disposal of treasury shares		0		2	2
Change in scope of consolidation			(825)		(825)
Purchase of shares of consolidated subsidiaries		5			5
Net changes in items other than shareholders' equity					
Total changes during period	—	5	9,849	(11)	9,844
Ending balance	26,996	24,823	51,080	(5,839)	97,060

	Accumulated other comprehensive income					Non-controlling interests	Total Net Assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Remeasurement of defined benefit plans	Foreign currency translation adjustment	Total accumulated other comprehensive income		
Beginning balance	(69)	431	(11)	(2,244)	(1,893)	107	85,430
Changes during period							
Dividends of surplus							(3,194)
Profit attributable to owners of parent							13,869
Purchase of treasury shares							(13)
Disposal of treasury shares							2
Change in scope of consolidation							(825)
Purchase of shares of consolidated subsidiaries							5
Net changes in items other than shareholders' equity	(3)	253	29	7,873	8,153	1,058	9,211
Total changes during period	(3)	253	29	7,873	8,153	1,058	19,055
Ending balance	(72)	684	18	5,629	6,259	1,165	104,486

(4) Consolidated Statements of Cash Flows

(Million yen)

	Previous fiscal year (From April 1, 2020 to March 31, 2021)	Current fiscal year (From April 1, 2021 to March 31, 2022)
Cash flows from operating activities		
Profit before income taxes	5,437	26,280
Depreciation	24,775	28,337
Impairment losses	2,260	5,545
Amortization of goodwill	1,723	1,546
Increase (decrease) in provision for bonuses	(56)	706
Interest and dividends income	(385)	(525)
Interest expenses	2,225	2,677
Loss on retirement of property, plant and equipment	2,284	2,577
Decrease (increase) in trade receivables	(8,205)	(706)
Decrease (increase) in inventories	2,546	(12,723)
Increase (decrease) in trade receivables	4,095	1,163
Subsidy for cooperation income	(7,604)	(24,593)
Increase (decrease) in accrued consumption taxes	4,603	(6,236)
Decrease (increase) in other current assets	1,732	(4,898)
Decrease (increase) in other non-current assets	661	2,591
Increase (decrease) in other current liabilities	(49)	(27)
Increase (decrease) in other non-current liabilities	(259)	1,107
Other, net	58	(508)
Subtotal	35,843	22,315
Interest and dividends received	137	301
Interest paid	(2,200)	(2,653)
Income taxes paid	(4,874)	(4,780)
Subsidy for cooperation received	779	30,247
Net cash provided by (used in) operating activities	29,686	45,430
Cash flows from investing activities		
Purchase of property, plant and equipment	(20,286)	(27,513)
Proceeds from sales of property, plant and equipment	42	855
Purchase of intangible assets	(1,135)	(1,263)
Purchase of long-term prepaid expenses	(339)	(387)
Purchase of long-term investment securities	(403)	(1,092)
Loan advances	(150)	(1,129)
Payments of leasehold and guarantee deposits	(1,170)	(1,021)
Proceeds from refund of leasehold and guarantee deposits	1,352	1,488
Purchase of long term prepaid rents	(1,158)	(1,089)
Other, net	(270)	(395)
Net cash provided by (used in) investing activities	(23,519)	(31,550)

(Million yen)

	Previous fiscal year (From April 1, 2020 to March 31, 2021)	Current fiscal year (From April 1, 2021 to March 31, 2022)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(244)	(922)
Proceeds from long-term borrowings	41,453	43,264
Repayments of long-term borrowings	(25,367)	(36,250)
Repayments of lease liabilities	(5,863)	(9,603)
Purchase of treasury shares	(3,571)	(13)
Proceeds from sale of treasury shares	4	2
Proceeds from issuance of bonds	—	14,945
Redemption of bonds	(1,600)	(20,600)
Proceeds from share issuance to non-controlling shareholders	—	385
Dividends paid	(3,056)	(3,193)
Dividends paid to non-controlling interests	(1)	(0)
Net cash provided by (used in) financing activities	1,753	(11,986)
Effect of exchange rate change on cash and cash equivalents	746	2,415
Net increase (decrease) in cash and cash equivalents	8,666	4,308
Beginning balance of cash and cash equivalents	28,928	37,643
Increase (decrease) in cash and cash equivalents resulting from change in scope of consolidation	49	461
Ending balance of cash and cash equivalents	37,643	42,414

(5) Notes on Consolidated Financial Statements

(Notes on Going Concern Assumptions)

Not applicable.

(Changes in Accounting Policies)

Application of Accounting Standard for Revenue Recognition and Implementation Guidance on Accounting Standard for Revenue Recognition

(i) Detail and reason of changes in accounting policy

The “Accounting Standards for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020), etc. have been applied since the beginning of the fiscal year. In accordance with this accounting standard, Zensho (Hereinafter, “the Company”) recognizes revenue as the amount expected to be received in exchange for the promised goods or services when the control of the goods or services is transferred to the customer. Regarding meal tickets, etc. which customers use to pay for the goods or services, the amount paid with such tickets, etc. was previously recorded as “Selling, General and Administrative Expenses”. However, the Company has shifted to the method by which it recognizes revenue at the net amount after deducting such amount from the transaction amount. Regarding real estate rental revenue, the Company has shifted to the method by which it recognizes revenue at the gross or net amount of consideration, considering the Company’s role (principal or agent) in providing the goods or services.

The Accounting Standard for Revenue Recognition has been applied since the beginning of the fiscal year pursuant to the transitional treatment stipulated in the provision of Paragraph 84 of the Accounting Standard for Revenue Recognition. However, the new accounting policy was not retrospectively applied to contracts where recognitions of nearly all the revenue amounts for periods prior to the beginning of the fiscal year were recognized according to the previous treatment, by applying the method provided for in Paragraph 86 of the Accounting Standard for Revenue Recognition. Furthermore, for the contracts modified prior to the beginning of the fiscal year, the accounting processing was carried out based on the contractual terms after all contract modifications were reflected, by applying the method set forth in item (1) of the supplementary provisions of Paragraph 86 of the Accounting Standard for Revenue Recognition.

However, figures for the previous fiscal year have not been reclassified using a new presentation method, in accordance with the transitional treatment stipulated in Paragraph 89-2 of the Accounting Standard for Revenue Recognition. “Notes”, which were included in “Notes and accounts receivable – trade” under current assets of the consolidated balance sheet as of the end of the previous fiscal year has been presented in “Other” under current assets from the consolidated balance sheet as of the end of the fiscal year ended March 31, 2022. Also, “Advances received”, “Unearned revenue” and other items, which were included in “Other” under current liabilities of the consolidated balance sheet as of the end of the previous fiscal year has been presented in “Contract liabilities” under current liabilities of the consolidated balance sheet as of the end of the fiscal year ended March 31, 2022.

(ii) Impacts on major items in consolidated financial statements

Compared with the previous accounting method, “Other” under “Current liabilities” decreased by 643 million yen and “Contract liabilities” under “Current liabilities” increased by the same amount. The impact of the change of presentation method for notes was immaterial.

For the consolidated income statement for the fiscal year ended March 31, 2022, net sales increased by 15,471 million yen, the cost of sales increased by 28,842 million yen, and selling, general, and administrative expenses decreased by 13,371 million yen, while operating profit, ordinary profit, and profit before income taxes have no impact. In addition, there is no cumulative impact in case new accounting standard was retrospectively applied from before the beginning of the current fiscal year.

There is no impact on per share information.

Application of Accounting Standard for Fair Value Measurement and Implementation Guidance on Accounting Standard for Fair Value Measurement

The “Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 30, July 4, 2019. Hereinafter, the “Accounting Standard for Fair Value Measurement”), etc. have been applied since the beginning of the fiscal year. In accordance with the transitional treatment prescribed in Paragraph 19 of the “Accounting Standard for Fair Value Measurement” and Paragraph 44-2 of the “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10, July 4, 2019), the Company has decided to apply the new accounting policies set forth by the Accounting Standard for Fair Value Measurement, etc. in the future. These changes had no impact on the Company’s consolidated financial statements.

(Segment Information)

1. Overview of reporting segments

For the Company's reporting segments, these are, of the constituent units in the Group, those for which separate financial information are available and those that are subject of regular examination by the board of directors to make decisions on management resource allocation and assessment of performance.

Zensho Group operates food businesses in various fields, categorizes "restaurant business" and "retail business" as main reporting segments, and designs and determines group strategies.

The businesses included in the reporting segments are as follows:

Restaurant business: restaurant management, etc.

Retail business: supermarket management

2. Methods for calculating segmental sales, profits or losses, assets, liabilities, and other items

The accounting method for the reporting segments is generally the same as in "Basis for Preparing Consolidated Financial Statements". The profit in each segment is based on operating profit.

The Company does not allocate assets and liabilities in reporting segments.

(Application of Accounting Standard for Revenue Recognition, etc.)

As stated in " (Changes in Accounting Policies) ", Accounting Standard for Revenue Recognition, etc. have been applied from the beginning of the fiscal year ended March 31, 2022 and accounting method for the revenue recognition has been changed. Calculation method for profit or loss of each segment has been changed accordingly.

Due to the change, compared with the previous method, net sales of Restaurant business increased by 18,361 million yen, and net sales of Retail business decreased by 2,890 million yen. There is no impact on segment profits.

3. Information on net sales, profits or losses by reporting segment

Previous Fiscal Year (From April 1, 2020 to March 31, 2021)

(Million yen)

	Reporting segments		Total	Adjustment (Note1)	Amount on consolidated balance sheet (Note2)
	Restaurant business	Retail business			
Net Sales					
Sales to External Customers	507,628	87,419	595,048	—	595,048
Intersegment Sales or Transfers	2,823	25	2,849	(2,849)	—
Total	510,451	87,445	597,897	(2,849)	595,048
Segment Profit	10,571	1,516	12,087	0	12,088
Other Items					
Depreciation	23,739	1,085	24,825	(50)	24,775
Amortization of goodwill	1,192	531	1,723	—	1,723

(Note) 1. Adjustment amounts are mainly elimination of intersegment transactions.

2. The total amount of segment profit is adjusted with the operating profit in the consolidated statement of income.

3. Unamortized balance of goodwill is 15,186 million yen.

4. Intersegment sales or transfers amounts are calculated based on prevailing market prices.

Current Fiscal Year (From April 1, 2021 to March 31, 2022)

(Million yen)

	Reporting segments		Total	Adjustment (Note1)	Amount on consolidated balance sheet (Note2)
	Restaurant business	Retail business			
Net Sales					
Sales to External Customers	578,928	79,575	658,503	—	658,503
Intersegment Sales or Transfers	2,755	176	2,932	(2,932)	—
Total	581,684	79,752	661,436	(2,932)	658,503
Segment Profit	9,326	(93)	9,233	(0)	9,232
Other Items					
Depreciation	27,164	1,239	28,404	(67)	28,337
Amortization of goodwill	1,100	445	1,546	—	1,546

(Note) 1. Adjustment amounts are mainly elimination of intersegment transactions.

2. The total amount of segment profit is adjusted with the operating profit in the consolidated statement of income.

3. Unamortized balance of goodwill is 13,106 million yen.

4. Intersegment sales or transfers amounts are calculated based on prevailing market prices.

(Per Share Information)

	Previous fiscal year (From April 1, 2020 to March 31, 2021)	Current fiscal year (From April 1, 2021 to March 31, 2022)
Net assets per share	560.87 yen	679.19 yen
Net profit per share	14.82 yen	91.17 yen

(Note) 1. Diluted net profit per share is not shown because there are no latent shares.

2. Net profit per share is calculated on the following bases:

	Previous fiscal year (From April 1, 2020 to March 31, 2021)	Current fiscal year (From April 1, 2021 to March 31, 2022)
Net profit attributable to owners of parent (Million yen)	2,259	13,869
Amount not attributable to ordinary shareholders (Million yen)	—	—
Net profit attributable to owners of parent relating to common stocks (Million yen)	2,259	13,869
Average number of shares during the period (Shares)	152,514,861	152,124,031

(Material Subsequent events)

Not applicable.